



FACT SHEET

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HHS ADOPTS HIPAA STANDARD FOR ELECTRONIC FUNDS TRANSFERS/REMITTANCE ADVICE (CMS-0024-IFC)

ACTION

The Centers for Medicare & Medicaid Services (CMS) today announced an interim final rule with comment period (IFC) under which the Department of Health and Human Services (HHS) adopts standards for the Health Care Electronic Funds Transfers (EFT) and Remittance Advice transaction (RA) under the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

Section 1104 of the Patient Protection and Affordable Care Act of 2010 requires CMS to issue a series of regulations over the next five years that are designed to streamline health care administrative transactions, encourage greater use of standards by providers, and make existing standards work more efficiently. On July 8, 2011, CMS published the first regulation, an IFC that puts in place operating rules for two electronic health care transactions that make it easier for providers to determine whether a patient is eligible for coverage and the status of a health care claim submitted to a health insurer.

The regulation announced today is the second in the series and establishes EFT standards that, when implemented by health plans, will save physician practices and hospitals between of \$3 billion to \$4.5 billion over the next ten years. Further environmental benefits from the use of an electronic payment in contrast to payments made by paper checks will result in an estimated 800,000 pounds of paper saved and 2.2 million pounds of greenhouse gases avoided over ten years.

Future administrative simplification rules will address adoption of:

- A standard unique identifier for health plans;
- A standard for claims attachments; and

- Requirements that health plans certify compliance with all HIPAA standards and operating rules.

BACKGROUND

Congress addressed the need for a consistent framework for electronic health care transactions and other administrative simplification issues through the Health Insurance Portability and Accountability Act of 1996 (HIPAA), enacted on August 21, 1996. HIPAA amended the Social Security Act (the Act) by adding Part C—Administrative Simplification—to Title XI of the Act, requiring the Secretary of the Department of Health and Human Services (DHHS) to adopt standards for certain transactions to enable health information to be exchanged more efficiently and to achieve greater uniformity in the transmission of health information.

Section 1104(b)(2)(A) of the Patient Protection and Affordable Care Act (Pub. L. 111-148) amended section 1173(a)(2) of the Act by adding the electronic funds transfers (EFT) transaction to the list of electronic health care transactions for which the Secretary must adopt a standard under HIPAA.

In general, the savings and benefits related to use of EFT for business and consumer payments are well established. The most common savings are in paper, printing, and postage costs, as well as savings in staff time to manually process and deposit paper checks. Yet adoption and use of EFT by the health care industry has been low, resulting in administrative savings that go unrealized. The obstacles to greater use of EFT by the health care industry can be lessened by standardization of the EFT transaction. Beyond the material and administrative time savings for health care providers and health plans, the time and resources that physician practices and hospitals spend on billing and related tasks will be better spent on delivering health care to patients.

On December 3, 2010, the National Committee on Vital and Health Statistics (NCVHS) Subcommittee on Standards held a hearing and from it gathered a comprehensive review of the health care payment and remittance advice transaction for purposes of making a recommendation to the Secretary. Participants represented a cross section of the health care industry. On February 17, 2011, the NCVHS sent a letter to the Secretary that contained recommendations for adoption of a "health care EFT" standard.

Based on that recommendation, HHS is adopting two standards for the health care EFT that a health plan must comply with in order to transmit health care claim payments to providers via EFT. The first is a standard format for when a health plan orders, authorizes, or initiates an EFT with its financial institution. The second standard specifies the data content to be contained within the EFT.

The goal for adopting these standards is to ensure that a trace number that connects the payment to the electronic remittance advice is inputted into a standard EFT format and that is received without error by the health care provider. This can be best achieved by requiring that a single electronic file format (CCD+Addenda) be used by all health plans that transmit health care EFT to their financial institutions and by requiring that data elements are consistent and ordered according to clear implementation specifications.

PROVISIONS OF THE IFC ANNOUNCED TODAY

HHS is adopting two standards for the health care EFT: the CCD+Addenda implementation specifications in the 2011 National Automated Clearing House Association (NACHA) Operating Rules & Guidelines, and the TRN Segment implementation specifications in the X12 835 TR3 for the data content of the Addenda Record of the CCD+Addenda.

COSTS/BENEFITS

Although all covered entities are required to comply with the adopted standards of HIPAA transactions, the health care EFT standards are expected to have the most substantial cost and benefit impacts on physician practices, hospitals, and commercial and government health plans.

We estimate that many health plans will have direct costs associated with implementing and using the health care EFT standards. However, those costs are expected to be comparably small software investments, approximately \$18 million to \$28 million overall for all commercial health plans, and \$400,000 to \$600,000 for Medicaid, the Children's Health Insurance Program (CHIP), and the Indian Health Service (IHS). The savings for commercial health plans could be as much as \$40 million over ten years, \$31 million for Medicaid, CHIP, and IHS.

For physician practices and hospitals, there is little to no cost to implement the health care EFT standards, as providers are the receivers of the standardized transaction and not the senders. Overall, physician practices and hospitals should see savings of \$3 billion to \$4.5 billion over the next ten years as health plans implement the health care EFT standards.

We can also expect a modest environmental benefit from the use of an electronic payment in contrast to payments made by paper checks, including an estimated 800,000 pounds of paper saved and 2.2 million pounds of greenhouse gases avoided over ten years.

REGULATION EFFECTIVE DATE/ STANDARDS COMPLIANCE DATE

The effective date of this regulation is January 1, 2012. Under the Affordable Care Act, HIPAA-covered entities must be in compliance with the standards (in other words, use the health care EFT standards) on January 1, 2014.

The rule is on display today and may be viewed at www.ofr.gov/inspection.aspx. A news release on the rule may be viewed at <http://www.hhs.gov/news>.

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